

Enclosure no. 4 to despatch  
no. 5182 dated December 2, 1940,  
from the Embassy to Tokyo.

Translation

Agreed Terms of Understanding between the Plenipotentiaries  
of Japan and China concerning the Annexed Protocol

In proceeding this day to the signature of the Treaty concerning the Basic Relations between Japan and China, the following understanding has been reached between the Plenipotentiaries of the two countries in connection with the stipulations of Articles 1 and 2 of the Annexed Protocol of the Treaty.

1. With regard to those various organs for collecting taxes in China which are at present in a special condition owing to military necessity, an adjustment shall be made promptly in accordance with the spirit of respecting the financial independence of China.

2. With regard to those industrial, mining and commercial establishments under governmental or private management which are at present controlled by Japanese forces, the necessary measures shall be taken for their prompt transfer to Chinese management in a rational manner, with the exception of those which are of enemy character or under special circumstances of unavoidable character including military necessity.

3. In case any Sino-Japanese joint enterprise requires modification in the evaluation of original assets, the proportion of capital investments and other matters, measures for their rectification shall be taken in accordance with the terms to be agreed upon separately through consultation between the two countries.

4. The Government of the Republic of China shall, in case they find it necessary to institute control on foreign trade, effect such control autonomously. They may not, however, infringe upon the principle of Sino-Japanese economic cooperation mentioned in Article 6 of the Treaty; and they shall consult with Japan with regard to such control during the continuation of the China Affair.

5. With regard to matters pertaining to transportation and communication in China which require adjustment, they shall be adjusted, as promptly as circumstance may permit, in accordance with the terms to be agreed upon separately through consultation between the two countries.

Done in duplicate, in the Japanese and Chinese languages at Nanking the 30th day of the 11th month of the 15th year of Syowa, corresponding to the 30th day of the 11th month of the 29th year of the Republic of China.